Inland Revenue

Notes on CAPITAL GAINS

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HELP SHEETS AND LEAFLETS

Help Sheets and leaflets giving more detailed information about particular tax rules for capital gains are available from the Orderline.

- *IR278: Temporary non-residents and Capital Gains Tax*
- *IR279: Taper relief*
- *IR280: Rebasing - assets held at 31 March 1982*
- *IR281: Husband and wife, divorce and separation*
- *IR282: Death, personal representatives and legatees*
- *IR283: Private residence relief*
- *IR284: Shares and Capital Gains Tax*
- *IR285: Share reorganisations, company take-overs and Capital Gains Tax*
- *IR286: Income Tax losses for shares you have subscribed for in unlisted trading companies*
- *IR287: Employee share schemes and Capital Gains Tax*
- *IR288: Partnerships and Capital Gains Tax*
- *IR289: Retirement relief and Capital Gains Tax*
- *IR290: Business asset roll-over relief*
- *IR292: Land and leases, the valuation of land and Capital Gains Tax*
- *IR293: Chattels and Capital Gains Tax*
- *IR294: Trusts and Capital Gains Tax*
- *IR295: Relief for gifts and similar transactions*
- *IR296: Debts and Capital Gains Tax*
- *IR297: Enterprise Investment Scheme and Capital Gains Tax*
- *IR298: Venture Capital Trusts and Capital Gains Tax*
- *IR299: Non-resident trusts and Capital Gains Tax*
- *IR301: Calculation of the increase in tax charge on capital gains from non-resident, dual resident and immigrating trusts*

SA108 (Notes)

Filling in your Capital Gains Pages

Gather together the material you need, such as:

- contracts for the purchase or sale of assets
- invoices for allowable expenditure
- copies of any valuations obtained.

If you have capital gains, you need to fill in the Capital Gains Pages **unless**:

- any gains arose from the disposal of your only or main residence which are exempt as a result of private residence relief (see the note on 'your home' on page CGN17), **and**
- any other assets you disposed of in the tax year were worth £14,200 or less in total (ignoring exempt assets - see page CGN8 - but including any residence that is not exempt or is only partly exempt; if you are not domiciled in the UK and are chargeable on the remittance basis (see Question 9 of your Tax Return) you should include the proceeds from any overseas asset disposed of in this year or an earlier year, to the extent that these have been remitted to the UK during this year), **and**
- your taxable gains (before any losses are deducted or taper relief is applied) were £7,100 or less. (When calculating this, you should include, for example, gains attributed to you as settlor or beneficiary of a trust and any amounts remitted to the UK for gains accruing in this year or an earlier tax year, where those gains are chargeable on the remittance basis.)

The rules for completing returns mean that many allowable losses will have to be claimed in this Tax Return (see page CGN11).

The following notes, and the Help Sheets and leaflets, cannot describe all the possible circumstances in which you may have to pay Capital Gains Tax. In more complex cases you may need to obtain professional advice or you can ask to see the Inland Revenue Capital Gains Manual, which is available at any Inland Revenue Enquiry Centre.

The notes are divided into 8 sections.

Section 1 (pages CGN2 to CGN6) explains how to fill in the Capital Gains Pages.

Section 2 (page CGN7) provides a simple guide to Capital Gains Tax.

Sections 3 to 8 (pages CGN7 to CGN20) provide more detailed guidance.

Section 1- General - Filling in Pages CG1 to CG8

The Capital Gains Pages for 1999-2000 use a slightly different format from the versions you may have completed when declaring chargeable gains, or claiming allowable losses, in earlier years. Before you start completing the Capital Gains Pages this year you may find it useful to familiarise yourself with the requirements of these Pages by reading these notes.

If this is the first time you have filled in the Capital Gains Pages, the notes on pages CGN9 to CGN14 will help you to understand what information you need provide to your Tax Inspector. If there are any points you do not understand ask your Inland Revenue office or tax adviser for assistance.

For 1999-2000 the Capital Gains Pages have been split into two sections. If **all of** the transactions you undertook in 1999-2000 involved quoted shares or securities (for a definition of quoted shares or securities for this purpose, see the note at the foot of the next column), **and**

- taper relief (see page CGN17) is not available to you to reduce any of the gains disclosed, **or**
- you are not claiming any tax reliefs, other than indexation allowance, which may reduce your gains

you may use the simple grid on Page CG I to record your transactions.

If you use Page CG1 you can ignore Pages CG2 to CG6 of the Capital Gains Pages. However, you must always fill in Page CG8 once you have completed Page CG1. You can also use Page CG7 if there is insufficient space in Column G on Page CG1 for any additional information you wish to provide.

If, however you undertook a number of transactions involving **both** quoted shares or securities (see below) and also other assets, for example unquoted shares or land or buildings, you must use Pages CG2 and CG3 (and CG4 to CG7 as appropriate) to record all of your transactions. **You must not use a combination of Page CG1 for quoted share or security transactions and Pages CG2 and CG3 to record your other transactions.** Although you may need to consider some extra boxes on Page CG3, this will ensure that any allowable losses you may have made are allocated so that you take best advantage–of them under the taper relief rules (see page CGN17 and *Help Sheet IR279: Taper relief*). You will not be required during completion of your Capital Gains Pages to give any extra information on Pages CG4 to CG7 for your quoted share or security transactions even though you have to record those transactions on Pages CG2 and CG3 instead of Page CG1.

To summarise, Page CG1 has been designed to help simplify the reporting requirements for taxpayers who have undertaken only straightforward quoted share or security (see below) transactions. If we need further information to clarify any of these transactions, we will write to you. For transactions involving assets other than quoted shares or securities, or a mixture of quoted shares or securities and other assets, you must always use Pages CG2 and CG3 (and CG4 to CG7 as appropriate). We ask for more information in respect of the transactions involving assets other than quoted shares or securities as these are often more complex and require greater review. For example you may be claiming various tax reliefs which reduce your chargeable gains, or you may have used an estimate or valuation within your computation and we may need to check the accuracy of the estimate or valuation with our specialist valuers (see page CGN13). Again if we need further information to clarify any of your transactions, we will write to you.

If you think that you will need more than one copy of Page CG1, or Pages CG2 and CG3 (together with Pages CG4 to CG6 as appropriate), to give details of all your disposals, take photocopies before making any entries. Please put your name and tax reference on each photocopy. If you use photocopies of the Pages please ignore the numbered boxes on all but the final sheet. On the final sheet make sure the entries in the boxes reflect the **totals** of all the transactions covered by the photocopy pages. Alternatively you may send in computer-generated schedules to replace Page CG1, or Pages CG2 and CG3 (together with Pages CG4 to CG6 as appropriate), **provided they follow the form of the paper copy of these Pages**.

In some situations, if you receive an amount in respect of an asset which is small compared to the value of that asset, the receipt may not be treated as a disposal. You will find more details on where this may apply, and how to fill in Page CG1 or Pages CG2 and CG3 in these cases, under the heading 'Small receipts' on page CGN8.

You are not required to submit any calculations or other supporting documents unless specified with your Tax Return. If you want to provide more information to show how you have calculated your figures, please give the details on Page CG7. If you want to provide more information or calculations you are welcome to do so. If you provide calculations **you must still** complete Page CG1 or Pages CG2 and CG3 (together with Pages CG4 to CG6 as appropriate).

Definition of quoted shares or securities for the Capital Gains Pages

For the purposes of the Capital Gains Pages 'quoted shares or securities' of a company means any shares or securities where a price quote was available on the London Stock Exchange Daily Official List (SEDOL) throughout the period you held them (for example, shares in FTSE100 companies).

If you obtained shares or securities as a result of a share exchange, or other company reorganisation (see page CGN9), and the shares or securities you originally held did not appear on SEDOL throughout the period you held them, you should not use Page CG1 to record your gains and losses. Instead **all** of your

transactions should be recorded on Pages CG2 and CG3. Similarly if your shares or securities have a price quote on a foreign stock exchange but are not also quoted on SEDOL you should use Pages CG2 and CG3 to record all of your transactions.

Filling in Page CG1

Fill in Page CG1 to give details about your disposals in the year ended 5 April 2000. This page should only be used if **all** of your transactions involved quoted shares or securities (see page CGN2) and:

- taper relief (see page CGN17) is not available to you to reduce any of the gains disclosed, **and**
- you are not claiming any tax reliefs, other than indexation allowance, which may reduce any of your gains.

If you use Page CG1, you can ignore Pages CG2 to CG6 of the Capital Gains Pages. You must always fill in Page CG8 once you have completed Page CG1. Page CG7 provides space for any additional information you need to provide.

If you do not fall within the limits described above you must use Pages CG2 and CG3 (together with Pages CG4 to CG6 as appropriate) to record all of your transactions. **You must not use a combination of Page CG1 for quoted share or security transactions and Pages CG2 and CG3 to record your other transactions**.

Column A

Enter in this column details of each disposal of quoted shares. Give the name of the company, the type of shares or securities you have disposed of and the number of shares, or face value of the securities which you have disposed of.

If you have made any chargeable gains or allowable losses in 1999-2000 without making a disposal, you should include details of these gains and losses in the list. This could occur, for example, because a deferred gain is treated as made in 1999-2000 (see the section on gains of earlier years on page CGN9). You must state the nature of the event causing the gain to become chargeable and the particular gain which is now becoming chargeable. If you have gains attributed to you as settlor or beneficiary, see page CGN9.

Column B

Tick the box in this column on any row where you have used an estimate or valuation in calculating the gain or loss. For example, valuations need to be used where an asset you have disposed of was:

- acquired from, or disposed of to, a connected person (see page CGN13), **or**
- held by you at 31 March 1982 (see the notes on rebasing beginning on page CGN13).

Please give details of why you have used an estimate or valuation in Column G, or if there is insufficient space, use Page CG7.

Column C

Tick the box in this column on any row in which you are recording the disposal of any shares or securities you owned, or are treated as having owned, at 31 March 1982.

Column D

Enter in Column D the date of disposal for the shares or securities that gave rise to a chargeable gain or allowable loss. If for example the date of disposal was 5 June 1999 you should show the date in the appropriate row of Column D as '05/06/99'.

Pages CGN8 and CGN11 explain when a disposal for Capital Gains Tax purposes occurs and on what date your disposal will be treated as having occurred.

Column E

Enter in this column the total disposal proceeds you have received or will receive from each disposal. Page CGN11 explains what to include in disposal proceeds.

Column F

Enter in this column the net gain or loss from each transaction, after indexation allowance, where appropriate (see page CGN14) has been deducted. Put brackets around any losses to distinguish them from gains.

There is a simple guide to Capital Gains Tax, including a sample calculation, in Section 2. Section 4 explains in more detail how to calculate gains and losses.

Column G

Use Column G to provide further information.

For example:

- if there were transactions with a connected person (see page CGN13)
- why estimates or valuations have been used (see page CGN13)
- if you have made a disposal of part of a larger holding consisting of a pool of shares or securities (see page CGN15)
- if you have exchanged shares or securities in a company reconstruction or take-over (see page CGN9)
- if you are making a rebasing election (see page CGN13).

box F1 Total all of your gains in Column F. Enter the total in box F1.

box F2 Total all of your losses in Column F. Enter the total in box F2.

box F3 Subtract your losses in box F2 from your gains in box F1. If your net gains exceed £7,100 continue to box F4. If your net gains are below £7,100 you have no liability to Capital Gains Tax in 1999-2000. Enter the amount of your net gains in box F7 and box 8.7 on Page CG8. Also enter '0' in box 8.8 on Page CG8. If you have a net loss, you will now need to fill in the Capital losses summary on Page CG8. Enter '0' in box F7 and also in boxes 8.7 and 8.8 on Page CG8.

box F4 Enter in box F4 any income losses (basically certain trading losses, losses from furnished holiday lettings, post cessation expenditure or post employment deductions - your Inland Revenue office or tax adviser will be able to confirm which losses will qualify) that you wish to set against your chargeable gains. You should only enter the lower of:

- the total losses you can claim, **and**
- the amount required to reduce the figure of gains, after capital losses of the year have been set off, to zero.

box F5 Subtract your losses in box F4 from your gains in box F3. If your net gains exceed £7,100 continue to box F6. If the net gains are below £7,100 you have no liability to Capital Gains Tax in 1999-2000. Enter the amount of the net gains in box F7 and box 8.7 on Page CG8. Also enter '0' in box 8.8 on Page CG8.

box F6 Subtract any losses brought forward you may have from an earlier tax year. You should use only enough losses to reduce your chargeable gains to the level of the annual exempt amount, £7,100. Remember to update the Capital losses summary on Page CG8.

box F7 Subtract your losses in box F6 from your gains in box F5 and enter the result in box F7. Copy this figure to the total taxable gains box, box 8.7, on Page CG8.

Filling in Pages CG2 and CG3

Fill in Pages CG2 and CG3 to give details about your disposals in the year ended 5 April 2000 unless all of your transactions were in quoted shares or securities and you are able to complete Page CG1 instead (see 'Filling in Page CG1' on page CGN3). If any of the transactions you are recording on Pages CG2 and CG3 involve assets other than quoted shares or securities you must also give, where appropriate, the additional information requested on Pages CG4 to CG6. If, however, the information requested on Pages CG4 to CG6 has already been supplied in a claim to gifts hold-over relief (see *Help Sheet IR295: Relief for gifts and similar transactions*) or as a result of a post transaction valuation check request (see page CGN13) it need not be repeated again. The information provided helps determine whether we need to ask you any more detailed questions about your Tax Return. Fully completed Pages will help us avoid making unnecessary enquiries.

Column A

Enter in this column details of each asset you have disposed of. For example, if you have disposed of land or property, unquoted shares or securities or other assets (other than quoted shares or securities) simply give a very brief one-line description of the asset. You should then cross reference each entry to the additional information requested on, as appropriate, Pages CG4, CG5 or CG6.

If you have disposed of quoted shares or securities, enter on Page CG2 (or if there is insufficient space, use Page CG7) the name of the company, the type of shares or securities you have disposed of and how many shares or securities you have disposed of. No further information is requested on this return for these transactions.

We have split the section for recording your gains into two. This is so you can record how much taper relief you are entitled to on each gain you make. Always use the first section 'Gains on assets without mixed (business and non-business) use' where you have made disposals of assets that were wholly business assets, see page CGN17, or wholly non-business assets. Use the second section 'Gains on assets with mixed (business and non-business) use' where you have made disposals of assets that were partly business assets and partly non-business assets. In column H you need to split these gains into a business asset gain and a non-business asset gain to record how much taper relief, if any, is due on each part.

If you are not domiciled in the UK and have disposed of assets outside the UK to which remittance basis applies, you should include details of such assets disposed of in this tax year or an earlier year where there have been remittances to the UK in this tax year.

If you have made any chargeable gains or allowable losses in 1999-2000 without making a disposal, you should include details of these gains and losses in the list. This could occur, for example, because a deferred gain is treated as made in 1999-2000 or a gain accrued in 1998-99 when you were regarded as a 'temporary non-resident', (see the section on gains of earlier years on page CGN9) or a loan to a trader has become irrecoverable (see the section on disposals on page CGN8). You must state the nature of the event causing the gain to become chargeable and the particular gain which is now becoming chargeable. If you have gains attributed to you as settlor or beneficiary, see 'Attributed gains and box 8.4' on page CGN6.

Column AA

Enter in each row of this column the identifying letter (Q, U, L or O) which corresponds to the asset(s) identified in each of the rows. Please make an entry for every transaction (both gain and loss transactions) in Column A.

For transactions in:

- quoted shares or securities, enter **Q**
- unquoted shares or securities, enter **U**
- land and property, enter **L**
- other assets (for example, goodwill), enter **O.**

Shares or securities that:

- had a price quote on a foreign stock exchange and were not also listed on SEDOL (see page CGN3), **or**
- were acquired as a result of a share exchange, or other company reorganisation (see page CGN9), and the shares or securities you originally held did not appear on SEDOL throughout the period you held them,

should be recorded in Column AA as '**U**'.

Do not forget to give the additional information requested in respect of each individual transaction on:

- Page CG4 for transactions in unquoted shares or securities **(U)**
- Page CG5 land and property **(L)**
- Page CG6 other assets **(O).**

If, however, the information requested on Pages CG4 to CG6 has already been supplied in a claim to gifts hold-over relief (see *Help Sheet IR295: Relief for gifts and similar transactions*) or as a result of a post transaction valuation check request (see page CGN13) it need not be repeated again.

Column B

Tick the box in this column on any row where you have used an estimate or valuation in calculating the gain or loss. (You should include any valuations you have used on Pages CG4 to CG6 - see the note on page CGN13.) For example, valuations need to be used where an asset you have disposed of was:

- acquired from, or disposed of to, a connected person (see page CGN13), **or**
- held by you at 31 March 1982 (see the notes on rebasing beginning on page CGN13).

Column C

Tick the box in this column on any row in which you are recording the disposal of an asset you owned, or are treated as having owned, at 31 March 1982.

Column D

Chargeable gains accruing in 1999-2000 are subject to taper relief, see page CGN17. However, taper relief is only due in this year on the disposal of business assets. Business assets are defined on page CGN17.

If the asset which you have disposed of was acquired on or after 17 March 1998 you should enter in Column D the actual date of acquisition of the asset (see page CGN11). If the asset disposed of was acquired before 17 March 1998 enter 16 March 1998. All dates should be entered as 6 characters for example, 16 March 1998 should be entered as '16/03/98'.

If you have disposed of shares or securities which were pooled you should insert the later of 16 March 1998 and the date when you first acquired shares in the pool. For more information on disposals of shares and securities see page CGN17, 'What about disposals of shares or securities?' and *Help Sheet IR284: Shares and Capital Gains Tax.*

Column E

Enter in Column E the date of disposal for each asset that gave rise to a chargeable gain. If for example the date of disposal was 5 June 1999 you should enter the date in the appropriate row of Column E as '05/06/99'.

Pages CGN8 and CGN11 explain when a disposal for Capital Gains Tax purposes occurs and on what date your disposal will be treated as having occurred.

Column F

Enter in this column the total disposal proceeds you have received or will receive from each disposal; page CGN11 explains what to include in disposal proceeds. If remittance basis applies, enter only the amounts of any remittances to the UK in 1999-2000 from the proceeds of the disposal of assets outside the UK (whether the disposal occurred in 1999-2000 or in an earlier year).

Column G

Where the disposal entered on any row is affected by a Capital Gains Tax claim or election, or a relief is due, you should give details in column G. For claims to relief you should also state the amount of your claim. For example, you may have claimed roll-over relief, exemption under the terms of a Double Taxation Agreement, Enterprise Investment Scheme deferral relief or you may be entitled to retirement relief. Or you may have decided to make an election that affects how your gains or losses are calculated, such as a rebasing election (see page CGN 13). **Section 7** describes the common reliefs and elections.

If you have insufficient space, use Page CG7 to give any additional information.

If you make a claim to:

- gifts hold-over relief (for claim form see *Help Sheet IR295: Relief for gifts and similar transactions)*, **or**
- Enterprise Investment Scheme deferral relief (the claim form EIS3 (1998) is attached to the EIS3 certificate you receive from the company, for information see also *Help Sheet IR297: Enterprise Investment Scheme and Capital Gains Tax)*

you must also attach the official claim form.

For claims to:

- Business asset roll-over relief (for claim form see *Help Sheet IR290: Business asset roll-over relief)*, **or**
- Venture Capital Trusts deferral relief (for claim form see *Help Sheet IR298: Venture Capital trusts and Capital Gains Tax)*

an optional claim form, which sets out all of the information required, can be found attached to the respective Help Sheet. If you do not use the claim forms you must still provide all of the information requested to enable your claim to be considered.

If you are making a claim to exemption under the terms of a Double Taxation Agreement, give details on Page CG7 of the territory in which the gain falls to be taxed, and the circumstances in which exemption is claimed.

You do not need to make an entry in Column G simply because you have claimed indexation allowance. This should simply be deducted in calculating the figure in column H. You cannot use indexation allowance to turn a gain into a loss or to increase your loss (see page CGN15).

Column H

Enter in the **Gains** part of this column the net gain from each disposal, after all reliefs, **but before losses and taper relief** have been taken into account.

For example, you have a chargeable gain after indexation allowance, but before losses and taper relief, of £50,000. In Column G you give details of a claim for Enterprise Investment Scheme deferral relief of £30,000. In column H you should enter only the net gain of £20,000.

If you have recorded gains in rows 9 and 10 under the section 'Gains on assets with mixed (business and non-business) use' make sure you split those gains into business asset and non-business asset gains so that you can work out how much taper relief is due on the business asset part, see *Help Sheet IR279: Taper relief.*

A loss arising on a disposal should be entered in the **Losses** section of Column H. Section 4 explains how to calculate gains and losses. Section 7 describes some common reliefs. If the remittance basis applies, enter only the amounts of any remittances to the UK in respect of gains from the disposal of assets outside the UK (whether the disposal occurred in 1999-2000 or in an earlier year).

Now total your gains and losses at boxes 8.1 and 8.2. You must complete the whole of Page CG3:

- if you have gains at box 8.1of greater than £7,100 and no losses available to you, **or**
- your gains after deducting losses of the year (and where applicable losses brought forward from earlier years) are greater than £7,100.

You need only complete the totals boxes (boxes 8.3 to 8.6) on Page CG3 (you can ignore the remainder of Page CG3) provided you have no gains attributed to you, see page CGN6, or income losses available to set against your gains, and you fall into one of the following:

- your gains (box 8.1) after deducting losses of the year (box 8.2) are £7,100 or less. (If this is the case you have no liability to Capital Gains Tax in 1999-2000, even if taper relief is available to you. In these circumstances, you may enter the amount of your net gains (box 8.1 *minus* 8.2) in box 8.3, the total taxable gains box and box 8.7 on Page CG8. Enter 0 (zero) in boxes 8.4 to 8.6. Subject to giving any further information required on Pages CG4 to CG6 you can now proceed to Page CG8.)
- your gains after deducting losses of the year are greater than £7,100 but you have sufficient losses brought forward, to reduce those gains to £7,100. (If this is the case you have no liability to Capital Gains Tax in 1999-2000, even if taper relief is available to you. In these circumstances, you may enter in box 8.6 the amount of the losses needed to reduce your gains to £7,100, enter £7,100 in box 8.3, the total taxable gains box, and box 8.7 on Page CG8. Enter '0' (zero) in boxes 8.4 and 8.5. Subject to giving any further information required on Pages CG4 to CG6 you can now proceed to Page CG8.)
- your allowable losses at box 8.2 exceed your chargeable gains at box 8.1. (You may enter '0' (zero) in boxes 8.3 to 8.6, the total taxable gains box and box 8.7 on Page CG8. Provide any further information required on Pages CG4 to CG6 and then fill in the remainder of Page CG8, as appropriate.)

If you have any gains of trustees attributed to you as settlor or beneficiary, or income losses available to set against your gains, or you are unsure whether you fall into one of the specific situations described above, you should always complete the whole of Page CG3.

Column I

If the asset disposed of was a business asset or used partly for business purposes during your period of ownership falling after 5 April 1998, see page CGN17, you should enter 'Bus' in the appropriate row(s) of this column.

Column J

Enter against each individual gain the taper percentage rate appropriate to the qualifying holding period for the asset disposed of. The percentage rates are shown in the table on page CGN17. In summary, if the asset was a business asset acquired:

- before 17 March 1998 and disposed of in 1999-2000, the percentage of the gain chargeable will be 85%;
- on or after 6 April 1998 and disposed of during 1999-2000 on or after the first anniversary of its acquisition, the percentage of the gain chargeable will be 92.5%.

All other disposals falling in 1999-2000 will be chargeable in full (that is, the rate to enter will be 100%).

Column K and boxes 8.5 and 8.6

There are special rules for allocating your allowable capital losses against chargeable gains, see page CGN10. These rules ensure you use your losses in the most beneficial way so that gains that qualify for the greatest rates of taper reduction remain chargeable. If you are setting off losses brought forward from earlier years you should use only enough losses to reduce your chargeable gains to the level of the annual exempt amount, see page CGN6. However, if you have attributed gains and also capital losses, see 'How is a loss allowed' on page CGN10.

In Column K2 you should enter details of any trading losses, losses from furnished holiday lettings, post-cessation expenditure or post employment deductions that you wish to claim against chargeable gains. You should only enter the **lower** of:

- the total losses you can claim, **and**
- the amount required to reduce the figures of gains, after capital losses of the year have been set off, to zero.

Now allocate your losses starting with Column K1, next consider Column K2 and finally Column K3. Losses should be firstly allocated against chargeable gains with the highest percentage rate shown in Column J. If you still have losses available after setting them against these gains you should set the remaining losses against the remaining gains.

Example
You have two gains in Column H:

Gain 1 £20,000; where the percentage rate in Column J is 92.5%
Gain 2 £10,000; where the percentage rate in Column J is 100%

You have an allowable loss brought forward of £17,000.

Firstly you should allocate in Column K3, £10,000 of your loss to Gain 2 as this gain is chargeable at 100%. Next allocate the remaining £7,000 of your loss in Column K3 to Gain 1 as only 92.5% of this gain is chargeable.

If you have a number of gains and losses you should consider each gain in turn and allocate losses so that gains with the smallest percentages in column J remain chargeable. If your allowable losses are greater than your chargeable gains you can carry the surplus losses forward to be set against gains you make in future years.
Do not forget to fill in the capital loss summary boxes on Page CG8.

Total your losses claimed in columns K2 and K3 and enter the amounts in boxes 8.5 and 8.6.

There are further rules for allocating 'clogged losses'. Clogged losses are losses that arise on the disposal of assets to connected persons or where losses are transferred to you by trustees after 15 June 1999 when you become absolutely entitled to settled property. These losses can only be set against gains of certain types (see page CGN10).

Column L

Subtract all losses claimed in Columns K1, K2 and K3 from the chargeable gains in Column H. Any net gains remaining chargeable should be entered in the appropriate rows of Column L.

Column M and box 8.3

Each gain remaining chargeable after losses have been set-off in Column L should now be multiplied by the taper rate appropriate to that gain. The taper rate is in Column J. For example if a gain in Column L was £20,000 after losses have been set-off and the taper rate was 92.5% then the tapered gain to enter in Column M will be '£18,500' (£20,000 x 92.5%). If you have more than one gain in Column L work out each tapered gain in turn entering all the figures in Column M as you go.

Add up all of the gains in column M and enter the total in box 8.3.

Attributed gains and box 8.4

Enter in rows 11 and 12 on Page CG3 any gains of trustees which are attributed to you as settlor or beneficiary of UK resident trusts (row 11) or non-UK resident trusts (row 12). On Page CG7 please enter the name of the trust(s) and on what basis the attribution(s) have been made to you. Add up all of the attributed gains and enter the total in box 8.4.

Total taxable gains

Add together all of your tapered chargeable gains from box 8.3 and any attributed gains from box 8.4 and enter the total in the total taxable gains box.

Filling in Pages CG4 to CG6

If the transactions you have entered on Pages CG2 and CG3 relate to asset disposals involving:

- unquoted shares or securities (recorded in column AA as 'U'), **or**
- land and property (recorded in column AA as 'L'), **or**
- other assets, other than quoted shares or securities, (recorded in column AA as 'O')

you must provide additional information in respect of each individual transaction on Page CG4, CG5 or CG6.

Each Page has space to give details of two transactions. If you have more than two transactions of each type, please photocopy the Page before completion and **send all completed (photocopied) Pages with your Capital Gains Pages**. If, however, the information requested on Pages CG4 to CG6 has already been supplied in a claim to gifts hold-over relief (see *Help Sheet IR295: Relief for gifts and similar transactions*) or as a result of a post transaction valuation check request (see page CGN13) it need not be repeated again.

This information will help me with my review of your Tax Return and will avoid me having to ask you unnecessarily for further details. Occasionally I will need extra information. I will write and ask you for this if the need arises. If you are unsure at any point as to what information you should provide, your Inland Revenue office or tax adviser will be able to help.

Filling in Page CG7

If you are asked to give additional information to support any entry on Pages CG1to CG3, or just need more space, please use this Page.

Filling in Page CG8

box 8.7 Enter the total taxable gains from box F7 on Page CG1 or from the total taxable gains box on Page CG3.

box 8.8 You do not have to pay tax on the first £7,100 of chargeable gains that you made in 1999-2000. This amount is referred to as your 'annual exempt amount'. Deduct £7,100 from the figure in box 8.7. Enter the result in box 8.8. The figure in box 8.8 is the net amount of chargeable gains on which you must pay Capital Gains Tax for 1999-2000.

box 8.9 You may have to pay tax because you have received, or you are treated as having received, capital or a benefit from any non-resident or dual resident trusts. If so, ask the Orderline for *Help Sheet IR301: Capital gains on benefits from non-resident and dual resident trusts* to work out the amount of tax to go in box 8.9. Enter the name (and the tax reference if known) of the trust in the 'Additional information' box on Page CG7. If you are not sure if this applies to you, ask your Inland Revenue office or tax adviser.

Capital losses

boxes 8.10 to 8.14 These boxes summarise the losses you have made this year and the various ways in which they have been used. In box 8.10 enter the total sum of all the losses you have made during the year. This figure can be copied from box 8.2 on Page CG3 or box F2 on Page CG1. If you are claiming to set capital losses against your income, see the notes on page CGN9, please ensure that you complete boxes 8.13A and 8.13B as well as the total box, 8.13. Any remaining losses are carried forward to use against gains of later years.

boxes 8.15 to 8.17 These boxes summarise the allowable losses that you have claimed and the amount of unused losses to be carried forward to use against gains of later years.

boxes 8.18 and 8.19 These boxes summarise the losses you have made in earlier years that have not yet been used against chargeable gains. See the notes on pages CGN10 and CGN11 for details of how they are set against chargeable gains.

boxes 8.20 and 8.21 These boxes summarise your losses to carry forward.

Clogged losses

Clogged losses are losses that can only be set against gains of certain types (see page CGN10). You must keep these losses separate from your other losses and ensure that they are used at the appropriate time. **Do not merge at any time the clogged losses into your main loss record on Page CG8.**

Section 2 - A simple guide to Capital Gains Tax

At its simplest Capital Gains Tax is a tax you pay if you make a gain from selling something you own. Some things, such as your home, your car or shares held in a PEP or ISA, are usually outside the charge to tax, see page CGN8.

You may be one of the many people who hold shares directly in major UK companies. If you sell any of these shares, you will have to consider whether you have to pay Capital Gains Tax. This section deals only with the case in which you bought shares listed on the Stock Exchange in one lot after 5 April 1982 through a broker, and where you sold the shares in the same way. In any other case, or if you are in any doubt, you should read the notes in Sections 3 to 7.

You need to work out your gain using the rules for Capital Gains Tax. This gain is called your **chargeable gain**. You must pay Capital Gains Tax if your net chargeable gains for 1999-2000 exceed £7,100 after deducting any allowable losses or taper relief. Section 1 beginning on page CGN2 shows how to fill in the Capital Gains Pages.

So how do you start? Here is a simple example. Let us say that on 1 March 1988 you bought 3,000 shares in a company for £2.50 each. Your broker charged a fee of £100. On 5 August 1999 you sold those shares for £4.50 each. Your broker charged a fee of £200.

Your gain is:

Sale price		£13,500
minus Broker's fee		£200
		£13,300
Cost	£7,500	
plus Broker's fee and any stamp duty	£100	£7,600
Net gain		£5,700

You must then deduct indexation allowance which is an adjustment for the effects of inflation from this gain. Indexation allowance is available to April 1998. You multiply the cost of buying the shares (£7,600 in the example) by a figure known as the **indexation factor** and deduct the resulting amount from your net gain. The notes beginning on page CGN14 explain how to find the indexation factor from the table on page CGN16. In this case the indexation factor is 0.562 and so your indexation allowance is:

£7,600 x 0.562 = £4,271

Deduct this from your gain to give your chargeable gain. This will be:

Net gain	£5,700
Minus indexation allowance	£4,271
Chargeable gain	£1,429

There is a new relief known as taper relief that is explained on page CGN17. However, it does **not** apply to this disposal. If this is your only chargeable gain in 1999-2000, you will have no Capital Gains Tax to pay because you can make chargeable gains of up to £7,100 before you pay Capital Gains Tax.

If you have made a loss on your sale, the rules are different. You cannot deduct any indexation allowance to increase the loss. Nor can you deduct all of your indexation allowance if it would turn your gain into a loss. If your indexation allowance is greater than your gain, you can only deduct enough to reduce your gain to zero.

Losses you make from sales in the year must be deducted from your indexed chargeable gains to decide whether your total gains are greater than £7,100. You can also deduct losses you have made from sales in earlier years if they have not yet been deducted from gains you made in earlier years. See Section 4 on 'Calculating gains and losses' for more information.

Section 3 - An introduction to Capital Gains Tax

These notes are a simplified summary of the Capital Gains Tax law as it applies in some common cases. If you are in any doubt about whether you have Capital Gains Tax to pay, ask your Inland Revenue office or tax adviser.

Chargeable gains

A chargeable gain is made when something you own (an asset):

- is wholly or partly disposed of (or treated as disposed of), **and**
- its value has increased since you acquired it, or since 31 March 1982 if that is later, **or**
- its value at the date of disposal is greater than the reduced value for which you are deemed to have acquired the asset because of an earlier relief.

You may also be treated as making a gain in other circumstances, for example where:

- a gain on an earlier disposal of an asset has been deferred, and a particular event, for example, disposal of another asset, or the lapse of time has ended the deferral period, **or**
- the value of an asset you own has had its value decreased by a transfer of rights, or by any other means that would not by itself be regarded as a disposal, **or**
- you dispose of a wasting asset, which has not diminished in value as quickly as was expected (see *Help Sheet IR293: Chattels and Capital Gains Tax*), **or**
- you derive a capital sum from your ownership of an asset, **or**
- you dispose of an asset that you acquired from your spouse.

You do not pay tax on the price you receive for the asset, but only on the increase in its value while you have owned it. If it has lost value in that time, you deduct that loss from any gains you make on other assets in the same year or later. Section 4 helps you work out your gains and losses.

You also may be treated as making a disposal if you recover money for which you have had some relief under the capital gains rules. Ask the Orderline for *Help Sheet IR296: Debts and Capital Gains Tax*.

Who pays Capital Gains Tax?

You must pay Capital Gains Tax on all your chargeable gains, after deducting allowable losses (and, if you sold a business asset, applying taper relief) if you are resident or ordinarily resident, **and** domiciled in the UK in 1999-2000.

If you are not domiciled in the UK, you pay tax on gains made on the disposal of assets situated outside the UK, **only** when the gains are remitted to the UK (the 'remittance' basis). Gains on the disposal of assets situated in the UK are taxable as in the paragraph above.

If you are neither resident nor ordinarily resident in the UK, you are taxable on gains made in 1999-2000 from assets of any branch or agency in the UK through which you are trading or carrying on a profession or vocation. If you left the UK after 5 April 1999 you may also be taxable on gains made in 1999-2000 from disposals after the date of your departure. You may also be taxable on gains made from any other assets which you owned while you were resident or ordinarily resident in the UK and disposed of in 1999-2000 if you left the UK after 16 March 1998 and your period of residence outside the UK does not exceed five full tax years. However, any such gains will not be taxable until the year in which you resume residence in the UK, see *Help Sheet IR278: Temporary non-residents and Capital Gains Tax*.

If you are not sure whether you are resident, ordinarily resident or domiciled in the UK, you should ask the Orderline for the Notes for the Non-residence etc. Pages which explain residence and domicile in more detail and, if appropriate, complete the Non-residence etc Pages.

Assets

Any form of property, wherever it is situated, may be an asset that attracts Capital Gains Tax. The most common assets include:

- stocks and shares
- land and property
- business assets, such as goodwill.

Some assets are exempt from Capital Gains Tax. Common exempted assets are listed below.

The gains made on some assets may be wholly or partly relieved from tax. See the explanation of the common reliefs starting on page CGN17.

■ *Exempt assets*

The disposal of some types of asset is exempt from Capital Gains Tax.

If you receive a sum of money or an asset that is taxable as part of your income, you will not have to pay Capital Gains Tax on that sum as well.

The following types of asset are exempt from Capital Gains Tax:

- private cars
- personal effects and goods worth £6,000 or less when you dispose of them
- Savings Certificates, Premium Bonds and British Savings Bonds
- gains made within a Personal Equity Plan (PEP) or an Individual Savings Account (ISA)
- bonuses from tax exempt special savings accounts (TESSAs)
- UK Government stocks (gilts)
- personal injury compensation
- foreign currency for you or your family's personal use
- life assurance policies and deferred annuity contracts, unless purchased from a third party
- betting, lottery or pools winnings
- SAYE terminal bonuses
- compensation for mis-sold personal pensions taken out as a result of disadvantageous advice given between 29 April 1988 and 30 June 1994.

If your only disposals are of these types of asset, you should tick the 'No' boxes in Question 8 of your Tax Return.

If a gain on the disposal of an asset would be exempt from Capital Gains Tax, normally any loss you make on that asset will not be an allowable loss. There is one exception. If such a loss arises on shares which have Enterprise Investment Scheme Income Tax relief attached to them, the loss is allowable, see leaflet *IR137: The Enterprise Investment Scheme,* for more information.

Gains from the disposal of personal effects or goods, each of which was worth £6,000 or less, when you disposed of them, are exempt. You may be able to use any loss that you make on such a disposal. This is dealt with in more detail in *Help Sheet IR293: Chattels and Capital Gains Tax*, available from the Orderline.

In most cases you will not pay tax on any gain you make when you dispose of your home. See the section dealing with the disposal of your home on page CGN17.

■ *Disposals*

Capital Gains Tax is payable on gains from the disposal of assets. A disposal will occur when you:

- sell, **or**
- give away, **or**
- exchange an asset or part of an asset, **or**
- receive a capital sum from your ownership of an asset, **or**
- the value of an asset you own has been reduced to increase the value of an asset owned by some other person.

A capital sum is a sum that is not part of your taxable income.

You can claim to be treated as making a disposal if an asset you own has become of negligible value. This may give you a loss that you can set against your gains.

If you dispose of only part of an asset, you can only use part of the cost in calculating your gain. Part disposals are explained more fully on page CGN14.

Any disposal which is made by your nominee, or by a person who is a bare trustee in relation to assets to which you are absolutely entitled, will be treated as your disposal.

Some disposals do not result in a charge to Capital Gains Tax. For example:

- when somebody dies and their assets pass to their personal representatives, **or**
- where shares are disposed of in exchange for other shares - see the notes on 'company reconstructions and take-overs' on page CGN9.

If you transfer an asset to your husband or wife and you are living together, you will not be taxed. Instead, any gain or loss is deferred until the asset is disposed of by your spouse. Your spouse may then pay tax on any gain made during the whole time that one or other of you has owned the asset.

If you are a member of a partnership, there are special rules dealing with the disposal or acquisition you make when there is a change in your share of partnership assets. If you need advice, ask the Orderline for *Help Sheet IR288: Partnerships and Capital Gains Tax.*

■ *Small receipts*

In some situations, an amount received in respect of an asset, which would otherwise be treated as a part disposal of the asset, need not be treated as a disposal at all if the amount is small compared to the value of the asset. This applies where amounts are received:

- as a capital distribution in respect of shares. This includes amounts received where rights to further shares which are allotted to you are sold nil paid, **or**
- as compensation, or under an insurance policy, for damage or injury to the asset, **or**
- for surrendering or agreeing not to exercise rights, **or**
- for use or exploitation of the asset, **or**
- in some cases where there is a compulsory acquisition of land.

Where the receipt is not treated as a disposal, the amount will need to be deducted from the expenditure available to set against any later disposal of the asset. If the amount of the receipt exceeds the available expenditure, a gain may still arise on receipt. Ask your Inland Revenue office or tax adviser for further details.

If you receive cash on an exchange of shares for qualifying corporate bonds, or on a conversion of securities, any gain arising on the cash element may also be deferred if the amount is small compared to the value of the shares. Again, you should ask your Inland Revenue office or tax adviser for further details.

What is small?

If in the situations described above the amount you receive:

- does not exceed £3,000, **or**
- does not exceed 5% of the value of the asset in respect of which it is paid, **and**
- the amount you receive is less than the allowable cost of the asset

then you do not need to enter the amount as a disposal on Pages CG1 or Pages CG2 and CG3.

If the amount exceeds these limits, but you think that it should be regarded in the circumstances as small, you should:

- enter the gain or loss on the list of disposals on Page CG1 or Page CG2, **and**
- explain on Page CG7 if necessary why you think the amount should be treated as small;

but **do not** include the gain or loss in the totals on Page CG1 or boxes 8.1 or 8.2 on Page CG3. Your Inland Revenue office may ask for further details in these cases.

■ *Building society mergers, conversions and take-overs*

If you have:

- received cash as a result of a merger of two or more societies, **or**
- received cash, or been issued with shares, or received both cash and shares, as a result of either
  - a conversion of a building society to a company, **or**
  - a take-over of a building society by a company,

there may be liability to either Income Tax or Capital Gains Tax. The building society may be able to tell you whether there is any tax liability. If not, ask your Inland Revenue office or tax adviser.

If you have received cash which is liable to Capital Gains Tax (which is likely if you received it following a conversion or take-over of a building society), then you should include details in the list on Page CG2.

If you need more detailed guidance on how to calculate the gain, you should ask your Inland Revenue office or tax adviser.

If you have received shares, then you only need to provide details of any gain you make when you dispose of the shares or authorise someone to dispose of them on your behalf.

■ *Company reconstructions and take-overs*

If you have exchanged shares or securities of a company for other shares or securities, as part of a company reconstruction or take-over, you may be treated as having acquired the new shares or securities at the same price, and on the same date, as the old. It will not be counted as a disposal for tax purposes.

You may, however, be treated as making a disposal if the company reconstruction or take-over is not carried out for commercial reasons, or is made in order to avoid tax. Companies can apply in advance to the Board of Inland Revenue for clearance from these anti-avoidance rules. The clearance will only be valid if the take-over, reconstruction or amalgamation is carried out in accordance with the clearance application.

If you think you have obtained shares or securities as part of a company reconstruction or take-over, or you need advice about the anti-avoidance rules, ask the Orderline for *Help Sheet IR285: Share reorganisations, company take-overs and Capital Gains Tax.*

If you have exchanged shares or securities for a right to receive an unknown number of shares or securities in the future, you may be able to make an election to treat the right as if it were a security, see *Help Sheet IR285: Share reorganisations, company take-overs and Capital Gains Tax*. Any such election should be made by giving details in Column G on Page CG2. The time limit for such an election is 12 months from 31 January in the tax year following the tax year in which the right is conferred.

■ *Allowable losses set against income*

If you have losses from the disposal of certain unlisted shares or securities, you may be able to make a claim to set those losses against your income, rather than your gains. The rules for making such a claim are explained in *Help Sheet IR286: Income Tax losses for shares you have subscribed for in unlisted trading companies*, and for Enterprise Investment Scheme companies in *Help Sheet IR297: Enterprise Investment Scheme and Capital Gains Tax*, available from the Orderline. Further detail is provided in leaflet *IR137: The Enterprise Investment Scheme.*

If you are making a claim on your Tax Return to set such losses against your income, you should remember to enter the amount of the loss in box 8.13A or box 8.13B. You must also give details of your capital loss on Page CG2.

■ *Other taxable gains*

In certain circumstances you may have to pay Capital Gains Tax on gains made by a company or a trust in which you have an interest. This includes gains made by:

- certain types of company not resident in the UK and in which you are a participator. (Include these gains on rows 1 to 8 on Page CG2 but please note that taper relief is not available against these gains. Your personal losses may be set against them.), **or**
- a trust resident in the UK from which you can or do benefit and of which you or your spouse are the settlor (enter the gains in row 11 on Page CG3), **or**
- a trust not resident in the UK at that time, the gains of which are attributed to you because you have received capital payments or benefits (ask the Orderline for *Help Sheet 301: Calculation of the increase in tax charge on capital gains from non-resident, dual resident and immigrating trusts*). (Enter these gains in row 12 on Page CG3.), **or**
- a trust not resident in the UK and of which you are a settlor (ask the Orderline for *Help Sheet IR299: Non-resident trusts and Capital Gains Tax*). (Enter these gains in row 12 on Page CG3.)

If you think you may be liable to Capital Gains Tax on gains made by any such company or trust, ask your Inland Revenue office or tax adviser.

■ *Gains of earlier years*

Some gains that were made before 1999-2000 may be taxable in 1999-2000. For example, where:

- roll-over relief was claimed on the purchase of a wasting asset, see *Help Sheet IR290: Business asset roll-over relief*, **or**
- gifts hold-over relief has been claimed on a transfer of an asset to you and you have become non-resident, see *Help Sheet IR295: Relief for gifts and similar transactions*, **or**
- a gain has been deferred as a result of a share reorganisation in which you have been issued with qualifying corporate bonds, see *Help Sheet IR285: Share reorganisations, company take-overs and Capital Gains Tax*, **or**
- you have claimed a deferral of a gain on a subscription for Enterprise Investment Scheme or Venture Capital Trust shares, see *Help Sheet IR297: Enterprise Investment Scheme and Capital Gains Tax* or *Help Sheet IR298: Venture Capital Trusts and Capital Gains Tax*, **or**
- a gain accrued in 1998-99 when you were regarded as a 'temporary non-resident', see *Help Sheet IR278: Temporary non-residents and Capital Gains Tax.*

You must include these gains in the Capital Gains Pages.

Section 4 - Calculating gains and losses

Remember, these notes are a simplified summary of the Capital Gains Tax rules, as they apply in some common cases. If you are in any doubt about your liability, ask your Inland Revenue office or tax adviser.

■ *How to calculate gains and losses*

To calculate the gain you have made on the disposal of an asset deduct:

- the allowable costs, **and**
- the indexation allowance

from the proceeds you receive on the disposal. The amount of the gain can be affected by the **date of disposal**, see page CGN10 for examples showing how to work out your gain or loss.

If you have disposed of shares or securities there are special rules for identifying the assets involved and working out the gain or loss. See *Help Sheet IR284: Shares and Capital Gains Tax*, available from the Orderline.

Help Sheet IR287: Employee share schemes and Capital Gains Tax, available from the Orderline, explains more about shares which you acquired in connection with your employment or by exercising an employee share option.

A simple calculation

At its simplest a calculation of a chargeable gain will use the format:

		See notes on page	
Disposal proceeds			CGN11
minus	Cost of acquisition (a)	CGN12	
minus	Enhancement costs (b)	CGN12	
minus	Incidental acquisition costs (c)	CGN12	
minus	Incidental disposal costs (d)	CGN12	
	Total costs	x	x
minus	Indexation allowance on a, b and c (to April 1998 only)	CGN14	
equals	Chargeable gain		CGN7

If after deducting indexation allowance you still have a chargeable gain, you are probably entitled to taper relief if the asset disposed of qualifies as a business asset, see 'What is a business asset?' on page CGN17. The remainder of your calculation will look like this:

Chargeable gain (from above) £ x

Taper rate (based on the qualifying holding period **after 5 April 1998** for the asset now disposed of) x %

Tapered gain: chargeable gain multiplied by taper % = £ _____

If the asset disposed of does not qualify for the business asset taper your final gain will be the same as the chargeable gain above.

This simple calculation will not work if:

- the disposal is a part disposal, see page CGN14, **or**
- relief is due, see page CGN17, **or**
- you have losses to set against the chargeable gain, see the next column, **or**
- it is a disposal of shares or securities, unless it is a disposal of the whole of a single holding of a particular class of shares or securities.

If you have made a loss on your sale, the rules are different. First, you cannot deduct any indexation allowance to increase the loss. Nor can you deduct all of your indexation allowance if it would turn your gain into a loss. If your indexation allowance is greater than your gain, you can only deduct enough to reduce your gain to zero. Second, the new taper relief rules do not apply to losses. Instead you should set your losses against any chargeable gains you have made before you consider applying taper relief to those gains.

You can also be treated as having made a loss when:

- certain loans you have made to persons who are trading cannot be recovered, **or**
- you have had to make payments as a result of guarantees you have given for loans to persons who are trading.

In each case you must make a claim. *Help Sheet IR296: Debts and Capital Gains Tax* explains how to make a claim.

How is a loss allowed?

The total allowable losses of 1999-2000 are deducted from the total chargeable gains for the year, with the exception of attributed gains. Your personal losses cannot be set against your attributed gains. **Attributed gains** are chargeable gains which are treated as yours because you are the settlor or beneficiary of a trust. See the second to fourth bullets in the section headed 'Other taxable gains' on page CGN9. The deduction of losses takes place **before** the application of taper relief, see page CGN17. If the allowable loss is greater than the chargeable gains these losses are carried forward to be set against gains you make in future years.

When you set losses brought forward against chargeable gains of a later year, you use only enough losses to reduce the chargeable gains, **before taper**, to the level of the annual exempt amount. Losses from 1996-97, 1997-98 and 1998-99 must be used in priority to any other losses you may have from 1995-96 and earlier years. Allowable losses must be set against the gains for the year in which they arose before you carry them forward to later years. These points are illustrated in Example 20, headed 'Allowable losses' in Section 8, page CGN19.

If you have attributed gains, in determining what losses brought forward are required to reduce the chargeable gains to the level of the annual exempt amount, you first reduce the annual exempt amount by the amount of the attributed gains.

Clogged losses

Clogged losses are losses that can only be set against gains of certain types. These are:

a. Losses on disposals to connected persons, see page CGN13. These losses can only be set against gains on disposals to the same connected person. Subject to that restriction all the normal rules relating to those losses apply.

b. Losses transferred to you by trustees when you become absolutely entitled to settled property, but only where the transfer occurred after 15 June 1999. In this case the losses can only be set against gains arising on the same asset, or (an asset derived from that asset). In this situation the losses are set against those gains in priority to any other losses whether of the same year or brought forward and are treated as if they were losses of the current year.

In order to keep these losses separate and ensure that they are allowed at the appropriate time, if you have any clogged losses of the year, or clogged losses of any earlier year, please make a copy of the lower part of Page CG8 for each clogged loss. This copy is referred to here as a shadow Page CG8.

Do not merge the clogged losses into your main Page CG8 loss record at any time. You should keep a copy of any shadow Page CG8 at least until the clogged losses have been fully utilised.

Completion of Page CG1

If you complete Page CG1, and you have a loss during the year which is clogged, put the amount of the loss in square brackets in column F, write the word 'clogged' in column G, and give an explanation on Page CG7. If the losses of the year or the losses brought forward can be used then, to the extent that they are used, they should be included in box F2 and/or F6 as appropriate. You should write to the left of either of those boxes 'including clogged loss amount', and include the figure in the sum in F2 and/or F6 as appropriate. Show the use of any actual and clogged losses on the loss record on Page CG8 and any shadow Page CG8 as required.

Completion of Pages CG2 and CG3

If you complete Pages CG2 and CG3, and you have a clogged loss put the amount in square brackets in column H, write the word 'clogged' next to it and put an explanation on Page CG7. Include the full amount of the clogged loss in the figure in box 8.2 but divide the total loss between box 8.10 on the loss record on Page CG8 and any shadow Page CG8 as required. If clogged losses are set against gains in columns K1 or K3, please put an asterisk next to

the amount of the loss and give an explanation on Page CG7. Show the use of any actual and clogged losses on the loss record on Page CG8 and any shadow Page CG8 as required.

Carry back of losses

Personal representatives completing a Tax Return for the period up to the date of death in the year in which a person has died, should be aware that the losses of that period can be carried back to be set against gains of the three preceding years. Further information is available in *Help Sheet IR282: Death, personal representatives and legatees.*

Allowable losses made on the expiry or termination of a mineral lease can be carried back and set against gains made from mineral royalties.

If you are making a claim on your Tax Return to set such losses against earlier years' gains you should remember to enter the amount of the loss in box 8.12 and also enter details of your claim on Page CG7.

Do losses have to be claimed?

A loss made in 1996-97 or later years has to be claimed. These losses are not allowable losses until you have given notice of the amount of the loss to your Tax Inspector. You do not have any choice about the order in which allowable losses are used. They must be deducted from gains in the order set out in the notes above.

You do not have to claim losses for 1995-96 and earlier years. The accumulated amount of such losses should be entered in box 8.18. If you are using some of these losses against gains of 1999-2000 the amounts being used should be entered in the boxes for allowable losses brought forward on Page CG3, column K3 and box 8.6 of your 1999-2000 Tax Return. Such losses will form part of this Tax Return and your Tax Inspector may make enquiries into them. There is no time limit before which these earlier losses must be used.

How to make a claim for a loss

The rules for completing Returns mean that many losses will have to be included in the Tax Return for the year in which they are made. In 1999-2000, if the total worth of all the assets you disposed of was more than £14,200 or you have made chargeable gains of more than £7,100, you must include all allowable losses for the year in the losses section on Pages CG1 or CG2 and, if appropriate, Pages CG4 to CG6. By giving the details requested on Pages CG1 or CG2 and, if appropriate, Pages CG4 to CG6 we will treat the entries as your claim to allowable losses.

If you discover a loss that should have been claimed on your Tax Return but you have already sent the Return you should, if the time for amending your Tax Return;

- has still to pass - write to us giving details of your loss and amend the Tax Return
- has passed, but you are still in time to make a claim, see the next section - send us a letter notifying the amount of the loss.

If your loss is one that you do not need to claim right away see the next section, 'Is there a time limit for claiming losses?' for details of when the loss should be claimed.

Is there a time limit for claiming losses?

Allowable losses for 1996-97 and later years have to be claimed within five years and ten months of the end of the tax year in which they were made. This applies whether the losses are used in that time period or not. The latest date for claiming losses made in 1999-2000 is 31 January 2006.

If losses brought forward have been claimed in the Tax Return for the year they were made, or by a separate claim, they will still have to be included in a later year's Tax Return when they are used. There is no time limit for claiming losses for 1995-96 and earlier years which can be carried forward indefinitely until there are gains against which they can be claimed (see 'Do losses have to be claimed?' above).

What is the date of disposal (or acquisition)?

If the disposal (or acquisition) is by way of a contract, the date of disposal (or acquisition) is usually the date of the contract.

In a small number of cases the contract may be conditional. This will be so if one or more conditions have to be met before the contract becomes binding. In these cases the date of disposal (or acquisition) is the date on which the last of the conditions is met.

In other cases where there is no contract the date of disposal (or acquisition) will usually be the date when ownership of the asset was effectively transferred.

There are exceptions, for example, in most of the cases where you get a capital sum from your ownership of an asset. There, the date of disposal is the date you receive the capital sum.

Example 1
You sell a piece of land under a contract dated 2 April 2000. The land was conveyed to the purchaser on 2 May 2000. Your disposal, for the purpose of working out your gain or loss, is treated as taking place on 2 April 2000. Your disposal is in the tax year ending on 5 April 2000 and you should include any gain or loss in your Tax Return for 1999-2000.

What are disposal proceeds?

In most cases your calculation should begin with the total amount of disposal proceeds you will receive. This may include:

- cash payable now or in the future, **or**
- the value of any asset received in exchange for the asset you have disposed of, **or**
- the value of a right to receive future payments.

The disposal proceeds should include cash, or anything that can be turned into cash, but **not** anything that is taxable as part of your income.

If disposal proceeds include any amount taken into account as a balancing charge in calculating your income, ask the Orderline for *Help Sheet IR293: Chattels and Capital Gains Tax*.

Example 2
You exchange a painting you own, which is worth £30,000, for a painting that you consider to be worth £33,000. Your calculation of the gain or loss on the first painting should begin with £33,000, the value of the painting you have received.

The distinction between future payments and the right to receive future payments is important when you do not receive all of the money to which you are entitled straightaway.

If the total amount to which you are entitled is known or can be calculated, include the full amount you are due to receive. No allowance can be made for the possibility that the whole sum may not be paid to you. However, if it becomes clear later on that you will never receive some part of the total amount originally due, the calculation of the gain can be adjusted.

If you will receive the total amount due in instalments over a period exceeding 18 months, you may not have to pay the tax which is due on the gain in one sum. Ask your Inland Revenue office for details.

Example 3
You sell shares in a company in December 1999 for £50,000, together with a sum equal to 10% of the profits made by the company in the year ended 30 June 1999. You should begin your calculation by bringing in the £50,000 and the sum equal to the percentage of profits to which you are entitled. Accounts can be prepared and the sum can be calculated.

If some part of the amount to which you are entitled cannot yet be calculated when you make the disposal because of an unknown factor, you should include the value of the right to that future sum. When you receive the amount to which you are entitled, you will make a further gain or loss on the disposal of that right.

Example 4
You sell land for £40,000 and you will also be entitled to receive 50% of any increase in the value of the land, if the purchaser is able to obtain planning permission for a housing development. When you make the disposal you cannot know whether planning permission will be obtained or what effect that will have on the value of the land. So you do not know how much you will finally get. You should begin your calculation by bringing in the £40,000 together with your estimate of the value of your right to further money.

In some circumstances, the amount you are to receive should be replaced in your calculation by the **market value** of the asset you have disposed of. The phrase '**market value**' is explained on page CGN13. Market value will apply where the disposal is, for example:

- to a connected person, **or**
- otherwise than by a bargain made at arm's length, for example a gift (unless the no gain/no loss rules apply, see 'What about transfers to spouses?' on page CGN15), **or**
- wholly or partly for a consideration that cannot be valued.

The phrase 'connected person' is explained on page CGN13.

List the total disposal proceeds of each of your disposals on Page CG1 or Page CG2 of the Capital Gains Pages.

Example 5
You transfer a piece of land worth £10,000 to your former spouse in a divorce settlement, in exchange for their undertaking to give up all claims against you. The consideration given cannot be valued. You should begin your calculation by bringing in disposal proceeds of £10,000.

A disposal which is otherwise than by way of a bargain made at arm's length is a disposal in which one or other of the parties intends in that transaction to confer a gratuitous benefit on the other.

Example 6
You sell land worth £40,000 to a friend for £25,000 as a token of your friendship. You should begin your calculation on the disposal of the land by bringing in disposal proceeds of £40,000.

■ *What expenses can be deducted?*

In working out a gain, the expenses you can deduct fall into four categories. These are:

- **acquisition costs**
- **enhancement costs**
- **incidental costs of acquisition and disposal**
- **expenditure on establishing, preserving or defending your title to an asset.**

These phrases are explained in the following notes.

Expenses you deduct must be expenditure on the asset disposed of. These must not be expenses that you can claim against income. Expenditure which has been taken into account in a claim to capital allowances can be deducted. You cannot claim for the cost of normal maintenance and repairs, or payments of interest.

The expenses you can deduct may be reduced if the asset you have sold is a wasting asset. This phrase is explained on page CGN13. If you have only made a part disposal of an asset, you can only deduct part of the expenditure on that asset. See page CGN14 for more details about part disposals.

■ *What acquisition costs can be deducted?*

You can deduct any amount you gave wholly and exclusively for the acquisition of the asset. In certain circumstances the amount you gave may be replaced by the **market value** of the asset when you acquired it. The phrase **market value** is explained in more detail on page CGN13.

Market value will apply where you acquired the asset, for example:

- from a connected person, **or**
- otherwise than by a bargain made at arm's length, for example, a gift (unless the no gain/no loss rules apply, see 'What about transfers to spouses?' on page CGN15), **or**
- wholly or partly for a consideration that cannot be valued, **or**
- where rebasing to 31 March 1982 applies (see page CGN13).

If the asset is not one you acquired but one you created yourself (for example, a copyright or the goodwill of a business), deduct any capital expenditure you incurred wholly and exclusively in creating the asset.

If you held the asset at 31 March 1982, **rebasing** will apply and the calculation should be based on the value at 31 March 1982 unless the comparison calculation described in the section headed 'What is rebasing?' on page CGN13 applies.

If you:

- inherit an asset, **or**
- have become absolutely entitled to settled property,

you are treated as acquiring it at its market value at the date of death of the testator (or exceptionally the date on which the personal representative acquired it) or the date on which you became absolutely entitled, as appropriate, and not on the date on which you actually acquired it.

■ *What enhancement costs can be deducted?*

You can deduct any amount you spent wholly and exclusively for the purpose of enhancing the value of the asset.

Only expenditure that is still reflected in the state or nature of the asset at the date of sale is allowable.

Example 7
You have built an extension onto a property that you let, but demolished it before sale. The cost of that extension cannot be deducted because it is no longer reflected in the state of the asset at the date of sale. The costs of demolition may be allowable.

■ *What incidental costs can be deducted?*

You can deduct expenditure you incurred wholly and exclusively on the acquisition or disposal of the asset, and which is either:

- fees, commission or remuneration paid for professional advice, **or**
- the costs of transfer or conveyance, **or**
- stamp duty.

Advertising costs, to find a buyer or a seller, can be deducted and so can the costs of any valuations or apportionments you obtain to work out the gain or loss on a disposal.

You cannot deduct any subsequent costs you incur if the Inland Revenue disagrees with your valuation.

■ *What is expenditure on establishing, preserving or defending your title to an asset?*

You can deduct expenditure you have incurred wholly and exclusively in establishing, preserving or defending your title to an asset, or your rights over an asset.

This may include, for example, the legal costs of a dispute with a neighbouring landowner whose fence encroaches on your land.

What is meant by market value?

In some cases the price you paid when you obtained the asset, or the price you received when you disposed of it, is replaced by the market value of the asset in working out your gain or loss.

If the asset you have disposed of was held by you at 31 March 1982, **rebasing** will apply - rebasing is explained below. If so, the price you paid for the asset may be replaced in the calculation by the market value of the asset at 31 March 1982.

There is a special rule that applies if you have disposed of assets by a series of linked disposals to connected persons, so that the value of the assets transferred, taken separately, is less than their combined value. The value of each separate asset is replaced in your calculation by a proportion of the total market value of all the assets in the series. You can exclude from the series any disposals that took place more than six years before the last disposal in the series.
The market value is the price an asset might reasonably have been expected to fetch on the open market at the date of that acquisition or disposal.

In the case of shares or securities quoted on the Stock Exchange Daily Official List (SEDOL) the market value is calculated in a special way. For those assets the market value is the lower of:

- a figure one-quarter up from the lower of the two prices in the quotation for the relevant day, **and**
- the figure halfway between the highest and the lowest prices of recorded bargains for that day.

Example 8
You own the freehold interest in a piece of land. That interest is worth £100,000. Four years later you grant your brother a lease over that land. The lease is worth £20,000. You then sell your brother the freehold interest for its market value of £60,000. Because the freehold, and the lease, considered separately, are worth less than the unrestricted freehold you have only realised a total of £80,000 in disposing of land worth £100,000. Because this was a series of transactions, you must replace the £20,000 you got from the grant of the lease by £25,000 in working out your gain. You must replace the £60,000 you got for the freehold interest by £75,000 in working out the gain on that disposal.

Estimates and valuations

If you have used any estimated figures to work out your gains and losses, tick the appropriate box in column B on Page CG1 or CG2 of the Capital Gains Pages, and describe which figures you estimated and why you had to estimate on Page CG1 or Pages CG4 to 6 if you have filled in the grid on Pages CG2 and CG3.

You should include any valuations you have used to work out your gains or losses, for example, because the asset was acquired from, or was disposed of to, a connected person or because you held the asset at 31 March 1982. You should tick the appropriate box in column B, whether you have prepared your own estimate of the value of the asset, or have taken professional advice.

The values you have used may need to be checked for accuracy. The Inland Revenue uses specialist valuers to value some assets, mainly unquoted shares, land, goodwill and works of art. You will be able to discuss the values you have used with the valuers. If the valuation cannot be agreed after discussion you can appeal to an independent tribunal.

Valuations already checked by the Inland Revenue

If you have already asked the Inland Revenue on form CG34 to check any of the valuations you have used in your calculations, put a note to that effect on Pages CG1 or CG4 to CG6. Your Inland Revenue office needs to know which valuations have been agreed already and which have not yet been agreed.

Who are connected persons?

If you dispose of an asset to a connected person, or acquired an asset on a disposal by a connected person, the price you pay or receive is replaced by the market value of the asset in working out your gain or loss on the disposal of that asset.

Connected persons are:

- your husband or wife (but if you are living together any gains are deferred), see *Help Sheet IR281: Husband and wife, divorce and separation*
- your brothers and sisters and your spouse's brothers and sisters
- your parents, grandparents and other ancestors and your spouse's parents, grandparents or other ancestors
- your children and other lineal descendants and your spouse's children and other lineal descendants
- the husbands or wives of any of the relatives listed above
- your business partners and their relatives, together with the husbands and wives of those partners, except for genuine commercial acquisitions or disposals of partnership assets
- any company that you control, either by yourself or with any of the persons listed above
- the trustees of a settlement of which you, or an individual (still alive) who is connected with you, are the settlor.

If you make a loss on the disposal of an asset to a connected person, you can set that loss only against gains you make on disposals to that same connected person. Enter details on Pages CG1 or CG4 to CG6.

What is a wasting asset?

A wasting asset is an asset that had a predictable life of 50 years or less on the date on which you acquired it. All plant and machinery is treated as a wasting asset.

When you dispose of a wasting asset the expenses you can deduct are reduced to account for the remaining predictable life of the asset.

If you have disposed of such an asset, ask the Orderline for *Help Sheet IR293: Chattels and Capital Gains Tax*, which explains how to make the calculations.

Is there any adjustment for capital allowances?

You may have claimed capital allowances on the assets you disposed of. You do not need to adjust the Capital Gains Tax calculation if the disposal has produced a chargeable gain reduced to zero by indexation allowance. If the disposal produces an allowable loss, the amount of the loss is reduced by restricting the expenses by the net capital allowances. 'Net capital allowances' means total capital allowances *minus* any balancing charges. This restriction can only reduce the loss to zero. It cannot produce a gain.

Example 9
In March 1994 you bought a printing press for £100,000. You sold it in June 1999 for £27,000. The net capital allowances after deducting the balancing charge are £73,000. The loss of £73,000 is reduced to zero by restricting the allowable expenses by the amount of the capital allowances.

What is rebasing?

A gain or loss is basically restricted to the amount of the gain or loss since 31 March 1982. You can:

- elect (within the time limit allowed, see below) to have gains and losses on all assets covered by the election calculated by reference to the value of the assets on 31 March 1982, **or**
- compare that calculation with the calculation based on the original cost of the asset, **and**
  - if there is a gain on both calculations, the smaller gain is taxable,

- if there is a loss on both calculations, the smaller loss is allowable, **or**
- if one calculation produces a loss, while the other produces a gain, you will be treated as having made neither a gain nor a loss.

If you:

- have acquired an asset from your spouse at a time when you were living together, **and**
- your spouse owned that asset at 31 March 1982,

you can be treated as if you owned that asset at 31 March 1982, in order to work out your gain or loss. The asset will be covered by the election or non-election of your spouse, unless the asset was transferred to you before 6 April 1988.

Your election is called a 'rebasing election' and will apply to all of the assets you held at 31 March 1982. An election may not always be to your advantage, but if you wish to make the election you must do so within two years from the end of the tax year in which you first made a disposal of an asset which you held at 31 March 1982. The Board of Inland Revenue has discretion to allow you a longer period. Once you have made an election, it will not be possible for you to withdraw it at a later date.

If you have disposed of an asset which you held at 31 March 1982, ask the Orderline for *Help Sheet IR280: Rebasing - assets held at 31 March 1982,* which explains these rules in more detail.

Show where you have used a valuation at 31 March 1982 by ticking the appropriate boxes in columns B and C on Page CG1 or Page CG2 of the Capital Gains Pages.

If you want to make a rebasing election in your 1999-2000 Tax Return enter 'rebasing election' in column G on Page CG1 or CG2 of the Capital Gains Pages against each disposal affected by the election.

■ *What is indexation allowance?*

This allowance ensures that only gains adjusted for the effects of inflation up to April 1998 since you acquired the asset are taken into account. Indexation allowance is frozen from April 1998. However, taper relief applies to disposals on or after 6 April 1998, see Section 6 on page CGN17, which explains how taper relief works.

Indexation allowance works by giving you an allowance equal to the amount by which the cost of the asset would have risen if its value had kept pace with inflation between the time you acquired it and April 1998.

If you held the asset at 31 March 1982 (or you acquired that asset from your spouse and he or she held it on that date) and the market value of the asset on that date was greater than when you acquired it, indexation allowance is calculated on that higher value. There is an exception if you have made an election described under the section headed 'What is rebasing?'. In that case, indexation allowance is calculated on the 31 March 1982 value irrespective of cost, unless you acquired the asset from your spouse after 5 April 1988 and they had not made an election.

Indexation allowance will reduce, or may eliminate, the gains on which you are taxable. But it cannot be used to create or increase an allowable loss. See Section 5 in the next column for help with working out your indexation allowance.

■ *What are part disposals?*

If you have made a disposal of part of an asset so that part of the asset is retained by you (or you have retained an interest in the asset), there are rules to allocate expenditure between the part sold and the part retained. These are:

- expenditure which relates wholly to the part disposed of is deductible in full
- expenditure which relates wholly to the part retained is not deductible
- a proportion of expenditure which partly relates to the part sold is deductible (the proportion relating to the part retained is not).

The deductible proportion is the following fraction:

$$\frac{\text{Disposal proceeds}}{\text{Disposal proceeds} + \text{Value of part retained.}}$$

Example 10

You sell part of an asset for £25,000. The asset cost you £30,000 and the part of the asset that you have retained is worth £50,000. You have also incurred expenditure of £5,000 wholly on the part of the asset you have sold. To work out your gain or loss you can deduct the £5,000 spent on the part sold together with:

$$\frac{£25,000}{£25,000 + £50,000} \times £30,000 = £10,000$$

Where the part of the asset sold, particularly in the case of shares and securities, is a recognisable fraction of the asset, the allowable expenditure may be allocated according to that fraction to avoid unnecessary valuation work. The expenditure not allowed this time can be allowed on a later disposal.

Section 5 - Indexation allowance

This section shows you how to work out the indexation allowance on some simple disposals. But it is only an introduction. If you are in any doubt about your entitlement to relief, ask your Inland Revenue office or tax adviser. In particular the basic rules are modified if:

- you have made a disposal of an asset that you held at 31 March 1982, **or**
- you have made a disposal of pooled shares or securities (see page CGN17).

The changes to the rules are mentioned here, but you may need Help Sheets to understand them fully. You can also ask to see the Inland Revenue Capital Gains Manual at any Inland Revenue Enquiry Centre, which explains the rules for indexation allowance in detail.

■ *When does indexation allowance apply?*

In the computation of chargeable gains accruing on or after 6 April 1998 indexation allowance has been frozen. This means that indexation allowance will be given for periods up to April 1998, but not after then. So, for an asset held at 6 April 1998 and disposed of after that date, indexation allowance will be computed for the period from the date of acquisition (or the date the expenditure was incurred) to April 1998, but not for the period from April 1998 to the date of disposal. For assets acquired on or after 1 April 1998 no indexation allowance can be deducted in computing the chargeable gain.

■ *How is indexation allowance calculated?*

You work out indexation allowance by multiplying the amount you spent by the indexation factor. You can find a table of indexation factors on page CGN16. You need to select the indexation factor for the year and the month in which you acquired the asset or, for subsequent expenditure on the asset, the year and month in which you incurred the expenditure. For example, the indexation factor for expenditure incurred in June 1989 is 0.409.

Example 11

You buy an asset for £10,000 in June 1989 and sell it for £20,000 in November 1999.

Your indexation allowance will be:

£10,000 x 0.409 = £4,090

You deduct an allowance of £4,090 in calculating your indexed gain.

■ What about losses?

You cannot use indexation allowance to turn a gain into a loss or to increase your loss.

Example 12
You sell an asset in May 1999 for £20,000. It cost you £30,000 in November 1990. You have made a loss of £10,000. You cannot deduct any indexation allowance, because the allowance cannot be used to increase the amount of a loss.

Example 13
You sell an asset in July 1999 for £70,000. It cost you £50,000 in June 1984. Before indexation allowance you make a gain of £20,000.

Your indexation allowance would be:

£50,000 x 0.823 = £41,150

But your gain before indexation allowance is only £20,000 and indexation allowance cannot turn a gain into a loss. Your indexation allowance is restricted to £20,000 so that you are treated as making neither a gain nor a loss.

In a case like this enter the gain in column F on Page CG1 or column H on Page CG3, as nil.

■ Which costs attract indexation allowance?

You can deduct indexation allowance from your gain if you have any of the following types of expenditure:

- the cost of an asset, **or**
- the incidental cost of acquiring an asset, **or**
- the cost of creating an asset if it was not acquired.

Any of these types of expenditure is treated as having been made when the asset was acquired or created.

You can also deduct indexation allowance if you have either of the following types of expenditure:

- expenditure on enhancing the asset, **or**
- expenditure on establishing, preserving or defending your title to an asset.

Either of these types of expenditure is treated as having been made when that expenditure became due and payable.

Example 14
You acquired an asset under a contract made in March 1995.

Payment does not have to be made until June 1995. When you calculate your indexation allowance you should treat the expenditure as if it had been made on the acquisition in March 1995.

Example 15
In May 1996 you entered into a contract with a builder to add an extension to a let property you own. The cost was due and payable when the work was finished in September 1996. When you calculate the indexation allowance you should treat the expenditure as incurred in September 1996.

You cannot have indexation allowance on the costs of disposing of an asset, regardless of when you met those costs.

■ What about part disposals?

If you make a disposal of part of an asset you own, you will only be able to deduct part of the costs of that asset in working out your gain or loss. Section 4 explains how the calculation is made.

Your indexation factor is multiplied by the part of the cost that can be deducted - not by the whole of the cost of the asset.

Example 16
You sell part of an asset which cost you £20,000. The part disposal formula allows you to deduct £5,000 of that cost to work out your gain. You should multiply the indexation factor by £5,000 to work out your indexation allowance.

■ What about transfers to spouses?

If you dispose of an asset to your husband or wife, you do not pay Capital Gains Tax if you are living together.

The asset is treated as having been disposed of for an amount that is enough to ensure that you make neither a gain nor a loss. This amount includes indexation allowance. This sort of disposal is referred to here as a no gain/no loss transfer.

Your husband or wife will pay tax on any gain they make when they dispose of the asset. Ask the Orderline for *Help Sheet IR281: Husband and wife, divorce and separation.*

Example 17
In August 1999 you give a painting to your husband. It cost you £50,000 in June 1986. You are treated as having disposed of it for £83,150 as shown below. He is treated as having acquired it for the same amount.

Transferred at £83,150
Cost £50,000

Indexation allowance (to April 1998 only)
£50,000 x 0.663 £33,150
no gain/no loss zero

The calculation is exactly the same if the painting is sold to your husband regardless of any amount he might have paid.

■ What about assets held at 31 March 1982?

If you:

- owned an asset at 31 March 1982, **or**
- acquired an asset from your spouse in a no gain/no loss transfer after that date, and your spouse held the asset at 31 March 1982,

the rules are modified for that asset.

Your indexation allowance is calculated on the **greater** of:

- the total cost you or your spouse incurred up to 31 March 1982 on that asset (including its initial acquisition price), **or**
- the value of that asset at 31 March 1982, **unless**

you have made an election for rebasing to 31 March 1982 to apply to all your disposals. If you have made a rebasing election, indexation allowance is calculated on the value of the asset at 31 March 1982.

You can calculate separately indexation allowances on any relevant expenditure incurred after 31 March 1982 that is allowable in working out your gains.

You can find out about rebasing to 31 March 1982 by asking the Orderline for *Help Sheet IR280: Rebasing - assets held at 31 March 1982.*

Example 18
You bought an asset in 1979 for £20,000. At 31 March 1982 it was worth £15,000. You should calculate your indexation allowance by multiplying £20,000 by the indexation factor unless you have made a rebasing election; in which case you should multiply £15,000 by the indexation factor.

■ *Indexation allowance table for disposals after 31 March 1998*

You work out indexation allowance by multiplying the amount you spent by the indexation factor. All of the factors you will need are included in the table below.

For example, if you incurred expenditure in June 1989, look across the Month columns to find June and then look down the column until you find the row for 1989. Your indexation factor for June 1989 will be 0.409.

	Month											
Year	**Jan**	**Feb**	**Mar**	**Apr**	**May**	**Jun**	**Jul**	**Aug**	**Sep**	**Oct**	**Nov**	**Dec**
1982			1.047	1.006	0.992	0.987	0.986	0.985	0.987	0.977	0.967	0.971
1983	0.968	0.960	0.956	0.929	0.921	0.917	0.906	0.898	0.889	0.883	0.876	0.871
1984	0.872	0.865	0.859	0.834	0.828	0.823	0.825	0.808	0.804	0.793	0.788	0.789
1985	0.783	0.769	0.752	0.716	0.708	0.704	0.707	0.703	0.704	0.701	0.695	0.693
1986	0.689	0.683	0.681	0.665	0.662	0.663	0.667	0.662	0.654	0.652	0.638	0.632
1987	0.626	0.620	0.616	0.597	0.596	0.596	0.597	0.593	0.588	0.580	0.573	0.574
1988	0.574	0.568	0.562	0.537	0.531	0.525	0.524	0.507	0.500	0.485	0.478	0.474
1989	0.465	0.454	0.448	0.423	0.414	0.409	0.408	0.404	0.395	0.384	0.372	0.369
1990	0.361	0.353	0.339	0.300	0.288	0.283	0.282	0.269	0.258	0.248	0.251	0.252
1991	0.249	0.242	0.237	0.222	0.218	0.213	0.215	0.213	0.208	0.204	0.199	0.198
1992	0.199	0.193	0.189	0.171	0.167	0.167	0.171	0.171	0.166	0.162	0.164	0.168
1993	0.179	0.171	0.167	0.156	0.152	0.153	0.156	0.151	0.146	0.147	0.148	0.146
1994	0.151	0.144	0.141	0.128	0.124	0.124	0.129	0.124	0.121	0.120	0.119	0.114
1995	0.114	0.107	0.102	0.091	0.087	0.085	0.091	0.085	0.080	0.085	0.085	0.079
1996	0.083	0.078	0.073	0.066	0.063	0.063	0.067	0.062	0.057	0.057	0.057	0.053
1997	0.053	0.049	0.046	0.040	0.036	0.032	0.032	0.026	0.021	0.019	0.019	0.016
1998	0.019	0.014	0.011									

What about disposals of shares or securities?

Shares acquired (or treated as acquired) after 5 April 1982 and before 6 April 1998 are treated as a single asset, the share pool, if they are:

- of the same class
- in the same company
- acquired in the same capacity.

Shares acquired (or treated as acquired) between 7 April 1965 and 5 April 1982 form a separate pool.

The same treatment applies to some securities and similar assets. The rules for indexation allowance are modified to cope with share pooling.

Shares etc. acquired on or after 6 April 1998 are not pooled. They also do not attract any indexation allowance, (see page CGN14). If you have disposed of shares or securities, ask the Orderline for *Help Sheet IR284: Shares and Capital Gains Tax*.

Help Sheet IR287: Employee share schemes and Capital Gains Tax, available from the Orderline, explains more about shares which you acquired in connection with your employment or by exercising an employee share option.

Section 6 - Taper relief

Introduction

Taper relief is a new relief that reduces the amount of a gain chargeable to Capital Gains Tax, according to the number of whole years the asset has been held **after 5 April 1998**. The greater the number of whole years up to a maximum of ten that you have held the asset the smaller the percentage of gain which is chargeable to tax. The amount of the reduction is shown in the table below and depends on whether the asset is a business asset or a non-business asset.

Gains on business assets	
Number of whole years	Percentage of gain chargeable
1	92.5
2	85
3	77.5
4	70
5	62.5
6	55
7	47.5
8	40
9	32.5
10 or more	25

Gains on non-business assets	
Number of whole years	Percentage of gain chargeable
1	100
2	100
3	95
4	90
5	85
6	80
7	75
8	70
9	65
10 or more	60

The complete taper relief table has been included for information, although for disposals in the tax year 1999-2000 that you include in this Return it will only be possible to accumulate two whole years. The percentages rates for three or more years (those that are shaded) will not be available until later tax years.

For most people the new provisions will have no effect on the calculation of gains chargeable to Capital Gains Tax for the tax year 1999-2000. If none of the assets you have disposed of in the tax year 1999-2000 have been business assets to any extent in the period between 6 April 1998 and the date of disposal, taper relief will not reduce your gain. If you are in any doubt, ask for *Help Sheet IR279: Taper relief*.

In a few limited cases, chargeable gains are not subject to taper relief. For example, if you are charged on gains made by a company not resident in the UK because you are a participator in that company, no taper relief will be due.

What is a business asset?

A business asset for the purposes of taper relief is

- an asset (other than shares or securities) which is used for the purpose of a trade, profession or vocation carried on by you (either alone or in partnership) or by your qualifying company
- an asset (other than shares or securities) held for the purpose of a qualifying office or employment with a trading employer to which you are required to devote substantially the whole of your time
- shares or securities held by you in a qualifying company.

A qualifying company is a trading company (or the holding company of a trading group) in which you hold shares which entitle you to exercise at least 25% of the voting rights in that company, or 5% of the voting rights if you are a full-time working officer or employee of that company (or group).

Section 7 - Reliefs and elections

Reliefs from Capital Gains Tax are given in different ways to meet different purposes. **Some reliefs are given automatically and so you do not need to make a claim.** You should take account of the amount of any 'automatic' relief that is due when you work out your gains and losses together with all the other reliefs you are claiming.

Some reliefs are only given if you claim them. In some cases you can make a claim in the Tax Return. In others you must make the claim on a separate form, which you attach to the Tax Return.

You should also use the Capital Gains Pages to make any elections that determine how your gains are to be worked out.

The most common reliefs and elections are introduced briefly below, and are dealt with more fully in Help Sheets available from the Orderline; see the list on page CGN1.

Your home

In most cases you will not pay tax on any gain you make when you dispose of your only home. Similarly, if there is a loss on the disposal the loss will not be allowable. You may have to pay tax if, for example:

- the garden or grounds of your home including the site of the house exceed half a hectare (a little less than one and a quarter acres) and some or all of that excess does not qualify for relief
- part or all of your home has at some time not been used as your home; for example if it has been let or used for business
- you have had a second home, and the property you have disposed of has not been your main home during your whole period of ownership.

If you think you may be entitled to private residence relief on a disposal you have made, ask the Orderline for *Help Sheet IR283: Private residence relief.*

Other reliefs

Roll-over relief allows gains on the disposal of businessassets to be deferred if replacement assets are acquired. If you want this relief, ask the Orderline for *Help Sheet IR290: Business asset roll-over relief.* The definition of business asset for this purpose is not the same as that set out above (in 'What is a business asset?').

Complete the claim form attached to *Help Sheet IR290*. Please attach the claim form to the Tax Return when you send it back to me. If you are claiming in relation to any disposal, enter 'roll-over relief' and the amount claimed in column G on Page CG2 next to that disposal.

Retirement relief relieves gains made by an individual aged 50 or over, or who retired early on ill-health grounds, on the disposal of their business (or shares in a personal trading company). If you think you may be entitled to this relief, ask the Orderline for *Help Sheet IR289: Retirement relief and Capital Gains Tax*. For relief on age grounds, write 'retirement relief' and the amount claimed in column G on Page CG2 next to the relevant disposal. If you want relief on ill-health grounds, write 'ill health retirement relief' and the amount claimed in column G next to the relevant disposal.

Gifts hold-over relief allows gains to be deferred when certain assets are given away. If you want to claim this relief, ask the Orderline for *Help Sheet IR295: Relief for gifts and similar transactions.* **Claims must be made by completing the claim form attached to *Help Sheet IR295* or a copy of the form**. Please attach the claim form to your Tax Return. Write 'gifts hold-over relief' in column G on Page CG2 next to the relevant disposal and enter the amount claimed. Other reliefs for gifts and similar transactions are described in *Help Sheet IR295: Reliefs for gifts and similar transactions*, for example, gifts to charities and claims to defer payment of tax.

Please note that in most cases the claim is a joint claim by you and the person to whom you gave the asset.

Dependent relative relief allows relief on the disposal of a home you have provided to a dependent relative and which was occupied by the relative as their sole residence before 6 April 1988. See *Help Sheet IR283: Private residence relief.* If you want this relief, you must claim it on the Capital Gains Pages by writing 'dependent relative relief' in column G on Page CG2 next to the relevant disposal. Enter the amount of relief claimed.

Halving relief relieves half of a gain arising from a gain deferred from before April 1988. See *Help Sheet IR280: Rebasing - assets held at 31 March 1982*. If you want this relief, you must claim it on the Capital Gains Pages by writing 'halving relief' in column G on Page CG2 next to the relevant disposal and entering the amount of relief claimed.

Enterprise Investment Scheme and Venture Capital Trust deferral reliefs allow gains to be deferred when you subscribe for Enterprise Investment Scheme shares or Venture Capital Trust shares. See *Help Sheet IR297: Enterprise Investment Scheme and Capital Gains Tax* and *Help Sheet IR298: Venture Capital Trusts and Capital Gains Tax*. To claim Venture Capital Trust deferral relief, complete the claim form attached to the Help Sheet and attach it to your Tax Return. Enterprise Investment Scheme deferral relief can only be claimed on receipt of an EIS3 certificate from the company invested in. A claim form is attached to the certificate for completion and submission with your Tax Return. When claiming, write 'Enterprise Investment Scheme deferral relief' or 'Venture Capital Trust deferral relief' in column G on Page CG2 next to the relevant disposal and enter the amount of relief claimed.

Enterprise Investment Scheme and Venture Capital Trust disposal reliefs. See *Help Sheets IR297* and *IR298*, as above. Any gain on the disposal of Enterprise Investment Scheme or Venture Capital Trust shares may not be chargeable to Capital Gains Tax. If you have taken advantage of either of these reliefs on the disposal of any shares, write 'Enterprise Investment Scheme disposal relief' or 'Venture Capital Trust disposal relief' in column G on Page CG2 next to the relevant disposal and enter the amount of relief claimed.

Business transfer relief defers a gain made when a business is transferred to a company in exchange for shares. This relief is given automatically. If you have taken advantage of this relief on any disposal, write 'business transfer relief' in column G on Page CG2 next to the relevant disposal and enter the amount of relief claimed.

Unremittable gains. If you have disposed of an asset situated outside the UK and you are unable to transfer the gains to the UK because of exchange controls or a shortage of foreign currency in the overseas country, then you can claim that the unremittable gain should not be taxable in 1999-2000. You can claim relief by writing 'unremittable gains' in column G on Page CG2 next to the relevant disposal. Enter the amount claimed.

Gains becoming remittable. Where a gain was not taxed in an earlier year because it was unremittable but it can now be remitted to the UK it is treated as a gain arising in 1999-2000. A gain may become remittable if, for example, exchange controls are lifted. Include any gains to which this applies whether or not they are actually remitted to the UK.

Negligible value claims, and claims in respect of certain losses that have become irrecoverable, which have the effect of crystallising losses, may be made in column G on Page CG2. Further guidance on such claims is given in, respectively, *Help Sheet IR286:Income Tax losses for shares you have subscribed for in unlisted trading companies* and *Help Sheet IR296: Debts and Capital Gains Tax*.

Relief for losses against income. This relief is introduced on page CGN9. If you are claiming this relief, write 'relief for losses against income' in column G on Page CG2 next to the relevant disposal and enter the whole amount of the loss in column H on Page CG3. Enter the amount claimed in boxes 8.13, 8.13A or 8.13B.

Rebasing. Follow the instructions beginning on page CGN13.

Relief for foreign tax paid. If gains chargeable to Capital Gains Tax have also been charged to tax in another country, you may be able to claim relief by way of credit for the foreign tax paid ('tax credit relief'). Tax credit relief is deducted from that part of your Capital Gains Tax liability that relates to the gain on which the foreign tax has been paid. If you wish to claim tax credit relief you should ask the Orderline for the Foreign Pages, if you do not already have them.

If you have gains which are chargeable on the remittance basis and wish to claim relief by way of credit for foreign tax paid in respect of those gains, you will need to add to the amount of net gains brought to the UK (that is, the gains less the foreign tax) the appropriate proportion of the foreign tax attributable to the net gains remitted.

If a gain accrued in 1998-99 when you were regarded as a 'temporary non-resident' and you wish to claim relief for foreign tax paid, see *Help Sheet IR278: Temporary non-residents and Capital Gains Tax*, available from the Orderline.

It will usually be to your advantage to claim tax credit relief in respect of foreign tax paid. But this will not be the case where no Capital Gains Tax is chargeable on a particular gain. For example, where the disposal results in a loss, or losses brought forward extinguish any chargeable gains, there may be no UK tax against which the foreign tax can be credited.

If you **do not** wish to claim tax credit relief, deduct the foreign tax paid in calculating the amount of the chargeable gains or allowable losses to be entered in column H on Page CG3. You cannot, however, deduct part of the foreign tax in calculating the gain on disposal and claim credit for the balance.

If you **do** wish to claim tax credit relief, you should ask the Orderline for the Foreign Pages and complete Page F3. If you are calculating your tax, you will also need *Help Sheet IR261: Tax Credit Relief: Capital Gains* available from the Orderline.

Section 8 - Worked examples of gains and losses

The basic calculation

Example 19
A piece of land, which was bought in June 1988 for £20,000, was sold in May 1999 for £100,000. The incidental costs of the acquisition were £1,000, while the incidental costs of the disposal were £5,000. A barn had been built on the land in August 1988 at a cost of £15,000 and it was still there when the land was sold.

Disposal proceeds				£100,000
minus	Incidental costs			£5,000
	Net disposal proceeds			£95,000
	Cost	£20,000		
plus	Incidental costs	£1,000		
plus	Enhancement expenditure	£15,000		
	Total	£36,000		£36,000
	Unindexed gain			£59,000
minus	Indexation allowance			
	Acquisition costs	£21,000		
	Indexation allowance £21,000 x 0.525		=	£11,025
	Enhancement expenditure	£15,000		
	Indexation allowance £15,000 x 0.507		=	£7,605
	Chargeable gain, subject to taper relief			**£40,370**

Allowable losses

Example 20
An individual has the following chargeable gains and allowable losses:

	1997-98	1998-99	1999-2000
Gain	£10,000	£15,000	£25,000
Losses	£25,000	£5,000	zero

The chargeable gain or allowable losses position for each year would be:

1997-98	Gain	£10,000
	Minus losses	£10,000
	Losses to carry forward	£15,000

Losses of the same year are set-off to reduce gains to zero.

1998-99	Gain	£15,000
	Minus current year losses	£5,000
	Minus losses brought forward	£3,200
	Net gain	£6,800
	Minus annual exempt amount	£6,800
		zero
	Losses to carry forward (£15,000 *minus* £3,200)	£11,800

Losses of the same year are set off in priority to losses brought forward.

Losses brought forward are set off to reduce gains to the annual exempt amount

1999-2000	Gain	£25,000
	Minus losses brought forward	£11,800
Net chargeable gain, subject to taper relief		**£13,200**

Rebasing to 31 March 1982 - No election made

Example 21
An asset cost £250,000 on 1 May 1979 inclusive of incidental costs. It is worth £200,000 at 31 March 1982 and was sold on 15 April 1999 for £1,000,000 net of incidental costs. No election has been made for rebasing to 31 March 1982.

	Original cost		**Rebased gain**
	Disposal proceeds £1,000,000	Disposal proceeds	£1,000,000
minus	Cost £250,000	*minus* value at 31.3.82	£200,000
	Unindexed gain £750,000	Unindexed gain	£800,000
minus	Indexation £250,000 x 1.047= £261,750	*minus* Indexation £250,000 x 1.047 =	£261,750
	Indexed gain £488,250	Indexed gain	£538,250

The indexed gain to which taper relief should be applied is the lower of the two figures: £488,250. See notes on page CGN13 and *Help Sheet IR280*.

A part disposal

Example 22
A house was bought for letting in December 1987 for £50,000 including incidental costs. In March 1988 it was subdivided into two flats at a cost of £5,000. One flat was sold in April 1999 for £120,000. Immediately before sale a central heating system was installed at a cost of £2,000 in the flat that was sold. The incidental expenses of the disposal were £6,000 and the value of the retained flat was £80,000.

	Disposal proceeds		£120,000
minus	Incidental costs		£6,000
			£114,000
minus	Part of cost of house		
	£50,000 x £120,000 / £120,000 + £80,000	= £30,000	
minus	Subdividing house		
	£5,000 x £120,000 / £120,000 + £80,000	= £3,000	
minus	Central heating	£2,000	
	Total costs	£35,000	£35,000
	Unindexed gain		£79,000
minus	Indexation allowance		
	cost of house £30,000 x 0.574	= £17,220	
	subdivision £3,000 x 0.562	= £1,686	
	Total indexation	£18,906	£18,906
Chargeable gain, subject to taper relief			**£60,094**

■ *A disposal of pooled shares*

Example 23
2,000 shares were bought in May 1988 at a cost of £9,000 including incidental costs. In January 1990 there was a rights issue of two shares for each one held as a result of which a further 4,000 shares were bought for £20,000. In June 1999 600 shares were sold for £6,000 net of incidental costs.

	Number of shares	Pool of qualifying expenditure	Indexed pool of expenditure
A new holding is created in May 1988:	2,000	£9,000	£9,000
The rights issue is an 'operative event' *(This phrase is explained in Help Sheet IR284)*			
Indexation		£9,000 x 0.125* =	£1,125
	2,000	£9,000	£10,125
Add the cost of the rights issue shares to the two pools:	4,000	£20,000	£20,000
	6,000	£29,000	£30,125
The part disposal in June 1999 is an 'operative event'			
Indexation January 1990 to April 1998		£30,125 x 0.361 =	£10,875
	6,000	£29,000	£41,000
Reduce the two pools by the apportioned amounts of cost and indexation	(600)	(£2,900)	(£4,100)
	5,400	£26,100	£36,900

Calculation of chargeable gain:

	Disposal proceeds	£6,000
minus	Cost	£2,900
	Unindexed gain	£3,100
minus	Indexation (£4,100 *minus* £2,900)	£1,200
	Chargeable gain, subject to taper relief	**£1,900**

***Note:** The indexation factor (0.125) here **cannot** be taken from the table on page CGN16. This is because the 'operative event' occurred before April 1998. Your Inland Revenue office or tax adviser can supply the right figures to use for any months before April 1998.

■ *Relief for foreign tax paid*

Example 24
You sold a property abroad realising a gain of £30,000 which is chargeable to UK Capital Gains Tax on the remittance basis. Foreign tax of £9,000 is paid on the gain. Of the net after-tax gain of £21,000 you bring £5,250 into the UK. You wish to claim relief by way of credit for the foreign tax paid.

The amount of gains chargeable to UK tax is:

Amount remitted	£5,250
add foreign tax	
£5,250 / £21,000 x £ 9,000 =	£2,250

Tax credit relief is available for foreign tax (£2,250) attributable to the gain remitted.

If the UK Capital Gains Tax on the figure of taxable gains is less than the amount of the foreign tax available for credit, the excess foreign tax is not repayable nor can it be deducted in calculating the taxable gains. For example, if the gains of £7,500 are taxable at 20%, the tax due of £1,500 will be wholly covered by tax credit relief. No relief of any kind is available for the excess foreign tax of £750 (that is, £2,250 *minus* £1,500).

These notes are for guidance only, and reflect the position at the time of writing. They do not affect any rights of appeal.